

DEPARTMENT OF AUDIT STRATEGIC PLAN

Plan Period: FY2009-2010 (July 1, 2008 through June 30, 2010)

Quality of Life Result:

The Department of Audit supports Wyoming state government as a responsible steward of state assets and effectively responds to the needs of residents and guests. (Result #6 Government)

Contribution to Wyoming Quality of Life:

To contribute to prosperity, the Department will audit and regulate to promote compliance with state revenue collections, state and local government accounting requirements and the regulation of financial service providers.

Basic Facts:

The Department of Audit has 121 authorized positions as of July 1, 2007. The projected biennial budget for 2009-2010 is \$25.8 million of which \$15.6 million is general funds, \$4.9 million federal money and \$5.3 million other (fee) income.

The Department is in the compliance business with three primary functional areas:

Revenue: Supports revenue collection by conducting audits to verify payments of the state's self-reporting taxes, fees and royalties at a cost of \$11.7 million for the 2007-2008 biennium including \$4.2 million in federal funds. Without audits there would be no verification of monies paid to the state or additional collections of \$87.5 million in mineral payments or \$24.4 million in the excise tax payments over the last three years.

Accounting: State and local government accounting offers auditing, verification, and monitoring procedures that provides assurance that funds and assets are properly accounted for and information provided leadership is accurate. The cost is \$4.9 million for the 2007-2008 biennium. Without these audits, federal funds could be at risk as well as the accuracy of accounting information reported to the legislature, state and federal agencies, and the general public.

Financial: Regulation and examination of state chartered banks and licensed credit providers protect Wyoming consumers and support the availability of safe and sound financial services at a cost of \$3.9 million for the 2007-2008 biennium. This area is self-funded through the collection of fees and licensing of financial entities regulated.

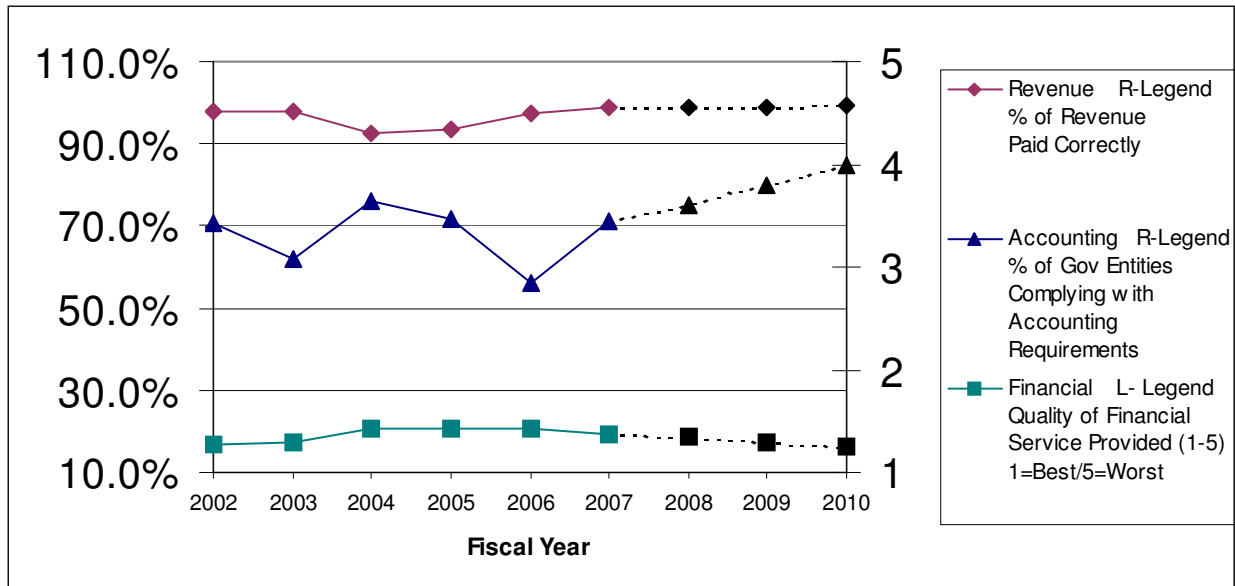
Performance:

The performance measures most important to our work are:

Revenue: Percentage of state revenue paid correctly. Audit estimates 98.7 % of revenue due the state is paid timely through the self-reporting process.

Accounting: Percentage of government entities complying with accounting requirements and regulations. Generally, 72% of the reports are filed within the statutory time frame and report accurate data.

Financial: Quality of financial services provided (1-5 ranking with 1 being a high quality). Presently the financial health rating is strong at 1.4.



Story Behind The Performance:

Revenue: Over the last three years, the revenue area has assessed \$6.93 for every dollar spent and collections for the last three years totaled \$111.9M. Wyoming’s oil and natural gas production has continued to grow in order to meet worldwide demand. The risk factor for compliance increases significantly with the increased oil and gas activity. The Mineral Audit Division audits the top 100 mineral taxpayers once every three years which make up 95% of the taxable value. The Excise Tax Division audit coverage is less than seven tenths of a percent of the total audit population. Approximately 70 mineral audits and 500 excise tax audits are completed each year.

Accounting: Over the last two years, local government entities have increased their compliance with reporting requirements. Two new employees received during the 2005 legislative session were used to increase the assistance provided to towns and medium sized special districts. We will continue to increase our audits of towns and special districts. The School Finance section has audited all districts at least once in the last three years and is on schedule to maintain the three-year frequency to ensure accurate data is used in school funding. State government has changed its strategic planning methods and improvements from the state agencies are expected for future years. Performance audits completed in FY07 included a small number of selected agencies given a majority did not report any performance measures or reported information that could not be verified.

Financial: The condition of financial services providers remains quite strong. With statutorily mandated examinations of state banks and periodic examinations of licensed credit providers, overall financial, managerial, and compliance performance has been satisfactory. The number of regulated entities has more than doubled since 2004 due to the licensing of mortgage brokers and lenders. Additionally, the resources dedicated to non-bank entities have significantly increased. The largest risk to the financial industry in Wyoming appears to be the lack of qualified talent.

What do you propose to do to improve performance in FY2009-2010?

The revenue area will improve audit coverage and enhance risk assessment capabilities through the use of data base compliance reviews in conjunction with traditional audit methods. We will continue to increase focus on high-risk business sectors with low compliance percentages and companies that move in and out of state. Increased use of sampling techniques will allow greater coverage of complex companies while reducing costs. The divisions will continue to work with administrative agencies to provide consistent and complete taxpayer information which will enable improvement in risk analysis to more easily identify non-compliance taxpayers. Administrative agencies include the Mineral Management Service, Department of Revenue, Department of Transportation and Secretary of State.

There is still a need for improvement on reporting requirements since 28% of current reports are filed outside the statutory time frame or reported inaccurately. Through additional training, investigation, audits and enforcement action, we hope to reduce this percentage. It is anticipated that the volume of special projects will increase in this area due to legislation passed allowing the department to perform specific procedures under a variety of professional standards. The accounting area will begin auditing to the new school funding model. A self-assessment process was developed and given to the state agencies to assist them in the collection and maintenance of the data to assist with performance measurement tracking.

The finance area will continue with quality examinations of state chartered and licensed financial institutions to ensure the availability of quality financial services for Wyoming residents. The division will increase examination coverage with respect to consumer credit providers to ensure consumer protection against predatory, unfair and deceptive lending practices. This will require additional resources whose cost would be covered by financial institutions and credit providers' current fee structure.

Ongoing technical training is critical to each functional area to ensure that auditors are current on procedures and techniques of auditing. The replacement of aging equipment is essential for technological compatibility with auditees and federal agencies.

Biennium Budget Request:

The department is requesting funds to upgrade hardware and software to replace aging equipment and to maintain compatibility with clients and federal counterparts. A senior level database developer is needed to give the department more tools to mine and analyze data being collected. The additional staff will ensure data is available timely and allow internal and external users access and allow publication of data on the web. The total request for all performance measures for information technology upgrades is \$639,055

The department is requesting funds for the ever-increasing cost related to all facets of travel (airfare, lodging, meals, rental cars, and state cars) and the anticipated increase in travel and required training. It is imperative that the state maintains a proven audit presence to encourage compliance by all auditees. The cost related to travel and training increases is \$242,323 across all performance measures.

The financial area is requesting 4 additional positions to expand examination coverage, plan for upcoming retirements, and increase examiner depth in specialty areas like trust, information technology, and anti money-laundering. The division is self-funded through licensing fees, examination fees, volume fees, and assessments on the assets of state chartered banks. The request to increase the number of examiners is \$681,728 and is covered under the current fee structure.

The department is requesting funds to move all employees to the competitive market average as well as moving Financial Statistical Specialist 5s (FS05) to Financial Statistical Specialist 4s (FS04) to reduce the number of classifications and to be able to attract new hires at market pay along with retaining experienced employees. We cannot hire new employees at market if market is not budgeted for our current employees. Additional compensation should be available to employees who maintain an authorized professional certification. Employees with these certifications bring additional credibility to the work done for the state. In July 2007, the Conference of State Bank Supervisors accreditation review team criticized the division for being the lowest paid state bank regulatory agency in the United States. The department has requested A&I Human Resource Division study current compensation levels of the department to ensure they are competitive. The cost to restructure the department compensation is \$1,043,883.